


sub E-714
194 9618

ISIS ENTRY
TO BE YES ☒
ENTERED: NO
ANALYST Mes

SEARCHED <u>32</u>	INDEXED <u>32</u>
SERIALIZED <u>32</u>	FILED <u>32</u>
SEP 17 1980	
 <u>1400</u> <u>DMR</u>	

b6
b7C

LEAKS IN U.S. PROBE OF CITY HALL TRACED TO TOP VALUKAS AIDE

By David L. Protess
and Paul R. McGinn

VINCENT J. CONNELLY, a top assistant to U.S. Attorney Anton R. Valukas, gave a Florida magazine writer secret information about ongoing federal investigations of official corruption in Chicago and New York even though the writer says he told Connelly that he would seek a "national market" for the information.

Indeed, the writer, Gaeton Fonzi, found not one but two national markets for the information. The *Chicago Tribune* and *New York Daily News* each agreed to pay him \$5,000 or more for it.

Connellly leaked the information for the stated purpose of persuading Fonzi and his editors at *Miami/South Florida* magazine that an article they were about to print about FBI mole Michael Raymond would jeopardize both the Chicago corruption probe and Raymond's life, according to Fonzi.

Publication of the article, which linked Raymond to the suspected murders of three Floridians and identified him as an FBI informant, was delayed nine months in return for information Connelly provided to Fonzi.

Fonzi was reluctant to discuss precisely what information Connelly gave him. However, F. Gilman Spencer, editor of the *New York Daily News*, who read Fonzi's notes of his discussions with Connelly, told *Chicago Lawyer*:

"Vince Connelly was talking extremely candidly and informally. He gave specific dates and events. I find it interesting that Mr. Connelly's statements to Gaeton Fonzi were a hell of a lot more informal than any on-the-record conversations I've had with prosecutors over the years. Connelly

apparently felt free to say what was on his mind. They were wide-open interviews about what he was investigating. They didn't seem to me to be careful, on-the-record, cover-your-ass kinds of statements. He went much further."

Fonzi agreed that Connelly, who at the time was chief of the criminal litigation section of the U.S. attorney's office and since has been made chief of the special prosecutions division, probably said more than he should have said.

"If you say that he was more candid than he needed to be, obviously, in retrospect, he was," Fonzi told *Chicago Lawyer*. "He never did specifically mention names of politicians to me, but he did get very detailed in later meetings so that anyone who knew Chicago politics could pinpoint people pretty well. In most of the cases with the aldermen, you could pinpoint only a few of them. However, you could pinpoint the department heads and assistant department heads pretty easily from the information."

Fonzi added that Edward D. Hegarty, special agent in charge of the Chicago FBI office, initiated the contact between him and Connelly. Fonzi said he inferred that Hegarty orchestrated the leaks and that Connelly was only a conduit.

"The bureau figured out that if they could leak the story just in terms of the corruption they could overshadow the background of Raymond," Fonzi said.

Fonzi said Connelly confirmed that the FBI was conducting Abcam-like investigations into bribery of officials in both Chicago and New York by Systematic Recovery Service, its president, Bernard Sandow, and an employee, Raymond, who also was an FBI mole.

Connellly and Hegarty refused to discuss the alleged leaks with *Chicago Lawyer*, as did U.S. Attorney Valukas. "At the appropriate time I will have something to say, but this is not the appropriate time," said Valukas.

The leaks may violate a U.S. District Court rule which says: "With respect to a grand jury or other pending investigation of any criminal matter, the United States Attorney or any other lawyer for the government participating in or associated with the investigation shall refrain from making any extrajudicial statement which a reasonable person would expect to be disseminated by means of public communication that goes beyond the public record or that is not necessary to inform the public that the investigation is underway, to describe the general scope of the investigation, to obtain assistance in the apprehension of a subject, to warn the public of any dangers or otherwise to aid in the investigation."

The leaks also may violate a Justice Department rule which says: "At no time shall personnel of the Justice Department furnish any statement or information for the purpose of influencing the outcome of a defendant's trial, nor shall personnel of the Department furnish any statement or information which could reasonably be expected to be disseminated by means of public communication if such a statement or information may reasonably be expected to influence the outcome of a pending or future trial."

This Justice Department rule may be waived at the discretion of the attorney general or deputy attorney general, and Fonzi said he assumed that the rule had been waived in this case. "Connellly said he had to get clearance to contact me in the first place," said Fonzi.

Fonzi, senior writer at *Miami/South Florida*, said his involvement in the story began in 1984 when he set out to investigate the disappearance of a Fort Lauderdale socialite, Adelaide Ulfian Stiles.

(see page 21)

Leaks

(from page 1)

Fonzi soon discovered that Stiles's disappearance shared a potentially significant element with the disappearances of two other Floridians, Max Bussard and Anna Sessa. All three knew a man known as Michael Burnett, an alias that the FBI had created for Michael Raymond.

Under the alias George White, Fonzi learned, Raymond had testified in 1971 before the U.S. Senate Permanent Committee on Investigations about his involvement in securities frauds running into the millions of dollars. When the *New York Times* revealed a few days after the testimony that White was really Michael Raymond, the Justice Department put him into its Witness Protection Program and gave him a new identity — Michael Burnett.

From a source, Fonzi said he learned that Raymond had been arrested in 1984 in Nashville for possession of automatic weapons. Fonzi promptly flew to Nashville to check the court records in the case, he said, but the U.S. attorney there, upon learning that Fonzi was looking at the files, immediately obtained a court order impounding them.

However, Fonzi said he pursued his investigation and, by January of last year, had enough information to write an article linking Raymond not only to the presumed deaths of the three Floridians but also to the FBI. Moreover, Fonzi said, he discovered information linking Raymond to swindles while in the Witness Protection Program.

Beginning in January of 1985, Fonzi said, he made a series of calls to the FBI's Miami press spokesman for an official response to what he had found about Raymond. The spokesman at first said he couldn't say anything, according to Fonzi — not even "no comment."

But Fonzi said he was persistent. In mid-February, he said, he called the FBI spokesman and said, "Let's go have a cup of coffee and I'll tell you everything that's in my story." The spokesman listened and, according to Fonzi, said, "That's a damn good story."

The article was then scheduled for publication in *Miami/South Florida's* April issue. But, about a week after the coffee session, the FBI man called the magazine and said that an FBI agent from out of town wanted to talk about the story.



Fonzi

On Monday, February 25, 1985, said Fonzi, Special Agent Hegarty arrived from Chicago. Fonzi said that at a meeting with him, the Miami FBI press spokesman, and the magazine's editorial board — comprising Erica Rausin, editor, Rick Eyerdam, managing editor, and Sylvan Meyer, publisher — Hegarty asked that the April publication be postponed until July because disclosure of Raymond's involvement with the FBI could jeopardize "an important investigation in Chicago" and endanger the lives of Raymond and other undercover agents.

At the meeting, said Fonzi, the editorial board agreed to withhold publication of the story until July with the understanding that Hegarty would provide something in return: He would arrange a "candid briefing" for Fonzi by Connelly and would attempt to answer specific questions that the magazine wanted answered.

Among the questions, according to managing editor Eyerdam, were:

- Did the FBI have any information proving that Raymond should not be a suspect in the murders of Stiles, Bussard, and Sessa?

- Did the FBI know the fate of Stiles, Bussard, and Sessa?

- Did the FBI prevent a homicide investigation of Raymond because it felt his white collar cases were more important than an investigation of three deaths?

- How much money had Raymond stolen while in the employ of the FBI?

- Would persons swindled by Raymond be compensated by the FBI?

Eyerdam told *Chicago Lawyer* that "there was a general consensus" that the delay was worth it to the magazine because the information Hegarty agreed to provide would improve the article and there was little chance that another publication could get the story.

The magazine, said Fonzi, also extracted a promise from Hegarty that the FBI would turn over all of its files on Raymond to Florida law enforcement authorities to help in their investigation of the three missing persons — a promise that Fonzi says Hegarty honored.

Fonzi said that Hegarty memorialized the February 25 agreement in a letter dated March 1 and addressed to Rausin, the editor of *Miami/South Florida*. Hegarty wrote:

"It was ... agreed that I on or about May 15, 1985, or earlier, would arrange for you and Mr. Fonzi to be given a frank and candid briefing by Assistant U.S. Attorney Vince Connelly, Northern District of Illinois. It was also agreed that the FBI would attempt to resolve some unanswered questions regarding a particular person of interest to Mr. Fonzi and your magazine."

After some preliminary telephone calls, Fonzi said, Connelly visited the magazine on Monday, May 6, 1985, to meet with the editorial board and Fonzi. At the meeting, which Fonzi said was tape-recorded with Connelly's knowledge, Connelly provided

certain details about the Chicago investigation in which Raymond was involved and asked that the magazine further delay publication of the article.

The editorial board agreed, according to Fonzi, to postpone publication until September on Connelly's promise that further information would be provided.

Connelly, according to Eyerdam, seemed less than thrilled about what he was doing. "He announced with a caveat that he shouldn't be here and didn't want to be here," Eyerdam said. "He said, 'I can't help it, but this is a very important investigation. I don't think anything quite like this has been done before.'"

Shortly after the May meeting, Connelly wrote a letter on behalf of U.S. Attorney Valukas to Rausin. The letter said, "I am confident the actions being taken by all parties concerned are in the best interests of both the citizens of the United States and the journalism profession."

Fonzi said he and Connelly were in weekly and sometimes daily telephone contact after that.

In August, according to Fonzi, Connelly flew to Miami for a second tape-recorded meeting, this one with Fonzi alone at Miami International Airport. Connelly provided further details about the Chicago investigation, although still not the details Fonzi wanted concerning Raymond's criminal career as a federally protected witness.

Publication of the article was again postponed at Connelly's request and upon Connelly's promise that the Raymond information could be provided later, Fonzi said. The article was rescheduled for the magazine's December issue.

However, on October 31, Sylvan Meyer, the publisher of *Miami/South Florida*, (see following page)

GIVE BLOOD.



American Red Cross
Mid-America Region Blood Services

Pharmacy Practice

Pharmacologist/ Pharmacist/ Nutritionist,
Medical school pharmacology faculty.

Depositions & trial experience.

DR. JAMES O'DONNELL

1792 Prestwick Dr., Inverness, IL 60067
(312) 991-4433

We make pension valuations easy.

\$50.00 FOR PENSION APPRAISALS?

Present Value Pension Appraisals for the protection of you and your divorcing client — ONLY \$50.00!

• Prepared from judiciously selected IRP/QC actuarial data

• Assures compliance with all state property distribution mandates

• Simply send us: employee pension booklet, present nearest to date of separation — current salary — date of birth — dissolution judgment date and your check for \$50.

Have! Qualified Domestic Relations Orders in conjunction with Pension Appraisal only \$65.00 — call for more information.

Law DATA

PFB Associates

PO Box 144 Hendersonville, NC 28733

1 (800) 368-6086

In AL or NC (704) 697-8444

night Mother

"...a benign explosion..."

— Jack Krull, *Newsweek*

Winner of the 1983 Pulitzer Prize for Drama

By
Marsha Norman

Directed by
Doug Finlayson
with Sarajane Avidan and Elizabeth Moore

February 27 — April 13

Call 743-6442 or
TICKETS \$5.00 \$10.00 \$20.00 \$30.00 \$40.00 \$50.00

Widom Bridge Theatre
1559 W. Howard St., Chicago



Leaks

(from preceding page)

received a telephone call from Associate Deputy U.S. Attorney General Jay B. Stephens in Washington.

Stephens, according to Meyer, agreed to provide the information the magazine wanted on Raymond if publication could be delayed until the January issue. Meyer agreed to delay publication. "I didn't want to be in the position that it looked like I was in collusion with the federal government when there was no emergency," he told *Chicago Lawyer*. "But as a patriotic citizen, I believed we had a duty to hold it up."

Connolly flew to Miami for another face-to-face meeting with Fonzi and the *Miami/South Florida* editorial board in early November. The meeting also was attended by the magazine's attorney, Alan Rosenthal.

Once again, Connolly wanted to delay publication, according to various persons present, but this time everyone said no.

As November drew on, Connolly made repeated telephone pleas for the magazine to hold the story. As a result, Meyer said, he called Stephens in late November and told him: "We had an understanding and now your Chicago people are leaning on our staff. I want you just to call off the dogs."

Stephens, according to Meyer, replied: "You're absolutely right. We have an agreement and we're going to stick with it."

A few days later, Meyer said, the magazine received a six-page letter from Hegarty with the FBI's responses to the questions he had agreed to answer seven months earlier. The letter said that the

FBI lacked "sufficient information" to link Raymond to the three disappearances "by even a preponderance of the available evidence, much less the standard that would apply in order to seek a successful prosecution."

The letter added that Raymond had not "either knowingly or inadvertently" given the FBI "any information which is probative regarding the disappearances."

Hegarty's response angered Fonzi. "I don't think the FBI did look into the background of Raymond and these people, who he did murder," Fonzi said. "Hegarty says there's no evidence linking Raymond to the murders. That's just ridiculous."

A few days before *Miami/South Florida's* January issue went to press, FBI agents began questioning the Chicago targets of the investigation.

"On December 20," said 20th Ward Alderman Clifford F. Kelley, "two FBI agents came to visit me. It was an unannounced visit. They asked a few questions about what I knew about other aldermen and their relationship to Systematic Recovery. I wasn't concerned because the questions were not about me. They did not try to flip me. I had to leave in order to have a meeting with the mayor. They told me to call them later. I tried to call them, but they weren't in. In the meantime, I heard from another alderman that we were all visited at the same time and that I was a target of the investigation. I never returned their calls after that."

On December 23, the January issue of *Miami/South Florida* rolled off the press. The headlines on Fonzi's story said, in all capitals, "THE UNTOUCHABLE." A sub-headline said of Raymond, "He's a dangerous man, a clever man, and he is blowing the lid off corruption in Chicago as a protected FBI informant. South Florida police say he may also be responsible for the murders of three local people."

Miami/South Florida thus scored a major scoop — the first public disclosure of the Chicago corruption investigation — thanks to the information provided by Connolly and Hegarty.

The story first broke in Chicago on Christmas Day in both the *Sun-Times* and *Tribune*.

About that time, Fonzi said, he contacted Spencer, the *New York Daily News* editor whom he had known years earlier when they both worked in Philadelphia.

For what Spencer said was "in excess of \$5,000," to be paid in four equal payments, Fonzi agreed to provide information on the New York investigation for the *Daily News*. But the Justice Department, as it had done with *Miami/South Florida*, successfully lobbied the *Daily News* to delay publication for several days.

"They begged us to hold off a couple of days so that we wouldn't jeopardize their investigation," Spencer said. "We only agreed to hold off for three or four days. Then we ran it just as we had it."

The story broke in the *Daily News* on January 7 under a blaring front page headline: "SLAY SUSPECT DEALS FOR FBI."

Spencer told *Chicago Lawyer*, "The information Fonzi got from Vince Connolly before the *Miami/South Florida* piece ran allowed him to tie Raymond to Bernie Sandow and Systematic Recovery.... That tie allowed us to do our January 7 blowout on Burnett with his New York connections. We were the lead dog in New York because of the information that Fonzi was able to give us. If it hadn't been for his information, it wouldn't have been as big a scandal."

Two days after the *Daily News* story appeared, Queens Borough President Donald R. Manes attempted to kill himself. He failed, but a second attempt was successful.

On January 10, Fonzi and Jack Davis, metro editor of the *Tribune*, reached an agreement under which Fonzi would begin working as a *Tribune* stringer on January 15. Fonzi was paid \$2,000 up front and promised \$750 per month for February through May.

Before signing the *Tribune* agreement, Fonzi turned down a reported offer of \$1,500 from the *Sun-Times*.

Notes at the end of major stories that the *Tribune* published January 19 and 20 on Raymond listed Fonzi as one of several contributors to the stories.

"Basically, we took a lot of information from him, but we didn't use any of it without verifying it from other sources," said *Tribune* metro editor Davis. "The bulk of the work was done by our own people, practically all of the work in fact."

Leaks were not Fonzi's exclusive province. *The Tribune*, as well as most other media, apparently was the beneficiary of a number of leaks that had nothing to do with Fonzi.

For instance, the *Tribune's* December 26 story on the investigation quoted "one source close to the case" who said, "It's going to be the case of 1985." A January 3 *Tribune* story attributed information to "government sources." A January 10 story reported "new details of the case" provided by "government officials" in Washington and Chicago.

"There were enough prosecution leaks," declared William J. Martin, a former prosecutor and attorney for one target of the investigation, "to sink a navy."

Fonzi said there is no question in his mind that Connolly knew that information would be published in Chicago before the investigation was completed.

"He had to know because I told him specifically that I was looking for national markets," Fonzi said. "I was upfront with him all the way on this. There was no reason for me not to be."

DIGITAL DATA CORPORATION

announces a seminar entitled

COMPUTERIZED LITIGATION SUPPORT

Place: Chicago Bar Association
Room 5, 11th Floor

Date: April 29, 1986

Time: 9:30 — 11:30 a.m.
AND
2:00 — 4:00 p.m.

R.S.V.P. Please

This seminar will be an informative presentation and demonstration of our complete approach to your litigation processing needs.

Topics of interest will include:

- Document Conversion (data capture)
- Word Processing
- Electronic Scanning (OCR)
- Full Text Search & Retrieval
- Media Conversion
- Laser Printing
- Technical Support
- Document Reproduction
- Computerized Court Reporting Services

As part of the program there will be an open forum for your questions, dynamic guest speakers, door prizes and discount certificates for attendees.

For further information contact:

Rhonda McGuire
DIGITAL DATA CORPORATION
208 South Jefferson
Chicago, Illinois 60606
(312) 648-4066

YOU VOTED US

NUMBER #1

CASUAL DINING RESTAURANT

WE NOW DELIVER

Call...

263-0070



Chicago
BACINO'S

•S•T•U•F•F•E•D•P•I•Z•Z•A•

75 EAST WACKER DRIVE — CHICAGO — 263-0070
2204 NORTH LINCOLN AVE. — CHICAGO — 472-7400